

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 IO-13 OMB-01 TRSE-00 ACDA-12 HA-05 EB-08  
COME-00 /098 W

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R 131831Z JAN 78  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC 9882  
INFO AMCONSUL FLORENCE  
AMCONSUL GENOA  
AMCONSUL MILAN  
AMCONSUL NAPLES  
AMCONSUL PALERMO  
AMCONSUL TRIESTE POUCH  
AMCONSUL TURIN POUCH

C O N F I D E N T I A L SECTION 1 OF 2 ROME 0789

E.O. 11652: GDS  
TAGS: PINR, PINT, IT  
SUBJECT: CURRENT MAJOR SCANDAL TRIALS IN ITALY

1. SUMMARY: A SERIES OF SCALREADY DIFFICULT ITALIAN  
POLITICAL SITUATION. TAKEN AS A WHOLE THESE SCANDALS  
RISK IMPLICATING A NUMBER OF HIGH RANKING CHRISTIAN  
DEMOCRATIC (DC) POLITICIANS AS WELL AS SOME IN OTHER  
PARTIES. CONCERN ABOUT WHAT THESE INVESTIGATIONS MAY  
TURN UP IS BELIEVED TO BE AN INHIBITING FACTOR ON THE  
FREEDOM OF ACTION OF SOME OF THE DC POLITICIANS WHO  
WILL BE FACING DIFFICULT POLITICAL CHOICES IN THE COMING  
WEEKS. IN SEVERAL CASES IT IS RUMORED THAT THE PCI IS  
THREATENING TO USE INCRIMINATING EVIDENCE WHICH  
HAS FALLEN INTO ITS HANDS TO CONDITION THE ACTIONS  
OF THE DC IN THE DEVELOPING POLITICAL CRISIS, SPECIFICALLY  
TO PREVENT ANY CALL FOR EARLY ELECTIONS. END SUMMARY.  
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2. IN THE MOST IMPORTANT SCANDAL, LOCKHEED (ROME 21231 AND  
PREVIOUS), A MAJOR DEVELOPMENT HAS BEEN THE EXTRA-  
DITION TO ITALY FROM BRAZIL OF OVIDIO LEFEBVRE, A KEY  
FIGURE IN THE INVESTIGATION WHO HAD CLOSE TIES TO  
PRESIDENT LEONE. THERE ARE EXPECTATIONS IN THE PRESS  
THAT LEFEBVRE'S TESTIMONY WILL BE DAMAGING NOT ONLY

TO FORMER MINISTER TANASSI (SOCIAL DEMOCRAT) AND GUI (DC) BUT POSSIBLY ALSO TO LEONE AND OTHERS. AN ARTICLE IN THE JANUARY 5 NEWSPAPER IL GIORNALE CHARGED THAT THE LEFT IS USING PREVIOUSLY UNRELEASED EVIDENCE TO BLACKMAIL LEONE AND TO PREVENT HIM FROM CALLING FOR NEW ELECTIONS. LEONE HAS DENIED THE CHARGE AND CLAIMS THAT NOTHING COULD PREVENT HIM FROM CARRYING OUT HIS DUTIES, ACCORDING TO THE CONSTITUTION.

3. ROME 20116 REFERS TO THE CASE OF EX-CHIEF OF DEFENSE INTELLIGENCE (SID) GENERAL VITO MICELI WHO ALLEGEDLY ACCEPTED CIA MONEY FROM THEN AMBASSADOR GRAHAM MARTIN, TO FINANCE ANTI-COMMUNIST POLITICIANS AND POLITICAL GROUPS. IN DECEMBER SEVERAL NEWSPAPERS REPORTED THAT PRIME MINISTER ANDREOTTI IN HIS ROLE AS PRESIDENT OF THE COUNCIL OF MINISTERS HAD DECIDED TO ALLOW THE INVESTIGATORS ON THE CASE ACCESS TO PREVIOUSLY CLASSIFIED SID DOCUMENTS WHICH MIGHT SHED LIGHT ON THE INVESTIGATION. THE MAGISTRATES ON THE CASE ARE EXPECTED TO ASK THE CHAMBER OF DEPUTIES TO STRIP MICELI OF THE IMMUNITY THAT HE PRESENTLY ENJOYS AS AN MSI DEPUTY. SOME OBSERVERS ALLEGE THAT THE INVESTIGATION WILL SHOW THAT IN ADDITION TO MICELI A NUMBER OF POLITICIANS ACCEPTED MONEY FROM AMBASSADOR MARTIN AND THE CIA. IF SO, THE RESULTING PUBLICITY WILL BE DAMAGING TO THOSE POLITICIANS AND CONFIDENTIAL

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THEIR PARTIES, AND TO THE IMAGE OF THE US.

4. IN THE BORGHESE COUP TRIAL, PRIME MINISTER ANDREOTTI WAS CALLED TO THE WITNESS STAND ON JANUARY 9 TO DEFEND HIMSELF AGAINST THE CHARGE BY AN ITALIAN JOURNALIST THAT IN 1970 AND 1971 ANDREOTTI, IN HIS ROLE AS DEFENSE MINISTER, HELPED TO COVER UP THE ABORTIVE COUP BY RIGHT WING FOLLOWERS OF PRINCE JUNIO VALERIO BORGHESE. ANDREOTTI HAS REPEATEDLY DENIED THAT HE KNOWS OF ANY COVER UP, BUT IF THE CONTINUING INVESTIGATION TURNS UP EVIDENCE TO THE CONTRARY, IT WOULD BE VERY DAMAGING TO ANDREOTTI.

5. THE INVESTIGATION CONTINUES INTO THE FINANCIAL IRREGULARITIES OF THE BANK OF ROME AND ITS ASSOCIATION WITH FINANCIER MICHELE SINDONA. MARIO BARONE, WHO IS PRESENTLY ON LEAVE AS THE MANAGING DIRECTOR OF THE BANK OF ROME, WAS ARRESTED ON JANUARY 11 AND TAKEN TO MILAN TO TESTIFY BEFORE THE MAGISTRATES WHO ARE INVESTIGATING THE CASE. BARONE WAS CHARGED WITH DESTRUCTION AND SUPPRESSION OF PRIVATE RECORDS, ACTS EQUIVALENT TO PERJURY, INVESTIGATORS SAID, IT HAS BEEN CHARGED

THAT BARONE KNEW OF A LIST OF OVER 500 NAMES OF  
PROMINENT ITALIANS WHO USED SINDONA-CONTROLLED ITALIAN  
BANKS TO TRANSFER FUNDS TO THE FINABANK IN GENEVA,  
WHICH WAS ALSO ONCE CONTROLLED BY SINDONA. THERE  
IS WIDE PRESS SPECULATION HERE THAT IF THE "LIST OF  
500" IS DISCOVERED BY THE INVESTIGATORS IT WILL BE  
FOUND TO CONTAIN THE NAMES OF PRESIDENT LEONE AND  
A NUMBER OF OTHER POLITICIANS. THE COURT DOES NOT  
WANT THE LIST OF NAMES TO START LEGAL PROCEEDINGS  
AGAINST THE 500 BECAUSE IN 1973 THESE TRANSACTIONS  
WERE NOT ILLEGAL. RATHER IT IS INVESTIGATING WHY THE  
BIG INVESTORS ON THE LIST WERE WARNED JUST BEFORE THE  
SINDONA CONTROLLED BANCA PRIVATA ITALIANA WENT BACK-  
RUPT. THIS ALLOWED THE BIG INVESTORS TO WITHDRAW  
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R 131831Z JAN 78  
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LOST THEIR MONEY. THE AFFAIR IS ALREADY EMBASSASSING

TO PRIME MINISTER ANDREOTTI WHO WAS ONCE A PERSONAL FIEND OF BARONE, AND EX-GOVERNOR OF THE BANK OF ITALY, GUIDO CARLI WHO, THE PRESS ALLEGES, KNEW OF THE EXISTENCE OF THE LIST. ITALIAN AUTHORITIES ARE CONTINUING THEIR EFFORTS TO HAVE SINDONA EXTRADITED FROM NEW YORK TO MILAN TO STAND TRIAL ON THE CHARGE OF BANK FRAUD.

6. OTHER CASES AND THE POLITICIANS THAT THEY COULD OR DO INVOLVE ARE:

A) THE SIR CASE (ROME 20231 AND MILAN 1985) COULD REFLECT NEGATIVELY ON ANDREOTTI, MANCINI (PSI), AND LEONE WHO ARE ALL FUIENDS OF DEFENDANT ROVELLI. ROVELLI, AS PRESIDENT OF THE CHEMICAL FIRM SIR, IS ACCUSED OF USING POLITICAL INFLUENCE TO GET LOW COST GOVERNMENT LOANS FOR THE FIRM.  
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B) THE GOLDEN FERRIES CASE (ROME 18461) - FORMER DC MINISTER OF MERCHANT MARINE GIOVANNI GIOIA IS ACCUSED OF RECEIVING KICKBACKS FOR AUTHORIZING THE RENTAL OF 3 FERRIES FOR MOE THAN TWICE THEIR PURCHASE PRICE.

C) THE CATANZARO TRIAL (ROME 19934) IS CONTINUING TO INVESTIGATE THE 1969 PIAZZA FONTANA BOMBING. THERE IS THE CONSTANT POSSIBLITY THAT THE COURT WILL FIND THAT EX-MINISTER OF DEFENSE TANASSI (DC) AND EX-PRIME MINSTER RUMOR (DC) COMMITTED PERJURY WHEN THEY TOLD THEGOURT THAT THEY DID NOT KNOW OF ANY ATTEMPT TO COVER UP THE LINKS BETWEEN THE RIGHT WING TERRORISTS AND THE SID. EX-DEPUTY MINISTER ZAGARI (PSI), GENERAL MICELI (MSI), AND PRIME MINISTER ANDREOTTI (DC) HAVE ALL TESTIFIED BEFORE THE COURT AS TO THEIR ROLES IN THE AFFAIR.

7. IN ADDITION TO THE ABOVE IT IS RUMORED THAT THERE ARE SEVERAL OTHR COMMERCIAL AND POLITICAL SCANDALS WHICH HAVE NOT YET BEEN MADE PUBLIC, BUT ARE BEING USED TO PRESSURE SEVERAL DC LEADERS INCLUDING LEAONE AND ANDREOTTI. GARDNER

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